NATIONAL ASSOCIATION OF Manufacturers

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March 24, 2025

Ambassador Jamieson Greer
U.S. Trade Representative
Office of the United States Trade Representative
600 17th Street NW
Washington, DC 20508

RE: USTR-2025-0002; Request for Comments Concerning Proposed Action Pursuant to the Section 301 Investigation of China's Targeting of Maritime, Logistics, and Shipbuilding Sectors for Dominance

Dear Ambassador Greer,

The National Association of Manufacturers is the largest manufacturing association in the United States, representing 14,000 manufacturers of all sizes, in every industrial sector, and in all 50 states. Manufacturing employs nearly 13 million people, contributes $2.93 trillion annually to the U.S. economy, and accounts for more than 53% of all private-sector research.

The NAM appreciates the opportunity to submit comments on the U.S. Trade Representative's Proposed Action Pursuant to the Section 301 Investigation of China's Targeting of Maritime Logistics, and Shipbuilding Sectors for Dominance.

Importance of Shipping to Manufacturing Trade

Ocean shipping enables manufacturers in the U.S. to reach customers around the world, expanding market access for the industry and broadening companies' customer base—ultimately generating economic growth here at home. Shipping also allows manufacturers to access inputs needed to make things in America. For the overall economy, more than 77% of all U.S. cargo by value moves through U.S. ocean ports, illustrating the vital importance of shipping to the U.S. economy.[1] On average, over $90 billion in goods move through U.S. ports each month.[2]

[1] National Ocean Economics Program, Ports and Cargo Data, Available at: https://oceaneconomics.org/ports_cargo/portscargo.html#:~:text=Nearly%20all%20of%20the%20country's,approached%20%24200%20billion%20per%20month.

[2] Ibid

Impact of Proposed Remedies on Manufacturing Imports

USTR is proposing an entry fee of $1 million to $1.5 million per port call depending on whether the vessel is Chinese-built or the vessel is part of a non-Chinese fleet that owns and operates Chinese-built vessels or has Chinese vessels in its orderbook. This approach would effectively impose the minimum fee on nearly 100% of cargo vessels making calls on U.S. ports, adding an estimated $600-$800 for each twenty-foot equivalent container unit.[3] Shippers likely would pass the entirety of this cost through to their business customers, in many cases further raising the cost of manufacturing in the U.S. Indeed, some NAM members are already receiving revised quotes for upwards of $1,500 per additional container. In addition, container ships typically make one to two stops on the west coast and two to three stops on the east coast. USTR's proposed remedy is unclear as to whether the fee would be applied at the first port call or at each subsequent U.S. port call, which would double or triple the cost burden for U.S. importers. The impact of these cost increases would be widespread, as 83% of container ships, 44% of bulk carriers, 68% of car carriers, 46% of chemical tankers, 34% of LPG carriers, and 23% of LNG carriers would be subject to the maximum fee proposed by USTR.[4]

In addition to the increased costs, ocean carriers have advised NAM members that they would limit the ports of call to reduce the fees incurred, resulting in competition for fewer sailing options for manufacturers. This would reduce the current competitive cost structure and lower cargo velocity. Ocean carriers are also telling manufacturers that they would skip smaller, more conveniently located ports in order to reduce their cost exposure by only stopping at major ports—which could result in port congestion reminiscent of the industry's experience during the COVID-19 pandemic. Manufacturers report concerns of congestion specifically at west and east coast ports such as Seattle, Los Angeles, Savannah, and New York. Other possible impacts include increased mileage and transportation costs to and from larger ports and an imbalance of drayage capacity as trucking becomes less available at larger ports. With orders already on the books, structural changes by non-U.S., non-Chinese fleets to reduce reliance on Chinese-built vessels will take an extended period, resulting in prolonged additional costs for U.S. manufacturers.

Impact of Proposed Remedies on Manufacturing Exports

Any changes within the ocean carrier network will also impact manufacturers' ability to export competitively. Many manufacturers are net exporters from the U.S. of both components and finished products. They require roll-on-roll-off (RORO) vessels and break-bulk vessels and also rely on large-scale container vessels. Some manufacturers' material and products must be transported on specialized equipment that only certain roadways, railways, and ports can accommodate, further reducing options to shift ports for export if ocean carriers reduce their port

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[3] US Trade Representative Proposals, Section 301 Investigation of China's Targeting of the Maritime Logistics and Shipbuilding Sectors for Dominance, World Shipping Council, Available at: https://www.worldshipping.org/ustr-proposals

[4] 2024 Shipping Market Review (2024), Clarkson's Research, Available at: 2024 Shipping Market Review – Clarksons Research

calls. Longer transit and port congestion could increase inventory costs and impact delivery times to customers.

USTR's proposed requirements for the minimum percentage of U.S. products per calendar year to be exported on U.S.-flagged vessels by U.S. operators is neither clear as to how it would be implemented, nor feasible on the time horizons proposed. Notwithstanding the higher operating costs associated with U.S.-flag vessels versus foreign flag carriers, as of 2024, there were only some 80 U.S.-flagged vessels involved in international trade, representing 0.16% of the world fleet.[5,6] Existing U.S.-flagged vessels also lack the capacity to replace larger foreign-flagged and foreign-built ships. The largest of the U.S.-flagged container ships has a nominal twenty-foot equivalent unit (TEU) capacity of ~7,500, compared to the 23,000+ TEU capacity of container ships to most U.S. ocean ports.[7,8] The largest U.S.-built container ship has just a 3,600 TEU capacity.[9]

Additionally, U.S. producers had fewer than five shipbuilding orders in 2023, and fewer than 153,000 employees in the U.S. shipbuilding workforce.[10] The NAM shares the administration's goal of revitalizing the U.S. shipbuilding and maritime industry to support both commercial and defense shipbuilding capacity in the U.S. as a long-term imperative. This will require significant infrastructure investments as well as renewed focus on developing a skilled maritime workforce. In the meantime, however, it is not currently practical to rely primarily on U.S.-flagged ships given the lack of vessels currently in service (0.16% of the world fleet, as noted) and U.S. industry's limited capacity at present to build more.

By way of example, there are only a handful of shipyards globally that have the technical capability to construct RORO vessels. Around 90% of RORO vessels are built in China, with the remaining 10% built in Japan. No RORO vessels—which are necessary for many manufacturing exports—are currently built in U.S. shipyards. China today accounts for 48% of dry bulk ships that move U.S. commodity exports; the U.S. accounts for less than 0.1%. It will take time to achieve the administration's ambitious goals. We should not in the interim create a market gap that hampers U.S. manufacturers' ability to export to customers around the world.

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[5] Garamendi, Kelly, Senators Young and Kelly, Introduce SHIPS for America Act to Revitilize US Shipbuilding and Commercial Maritime Industries (2024), Available at: https://garamendi.house.gov/media/press-releases/garamendi-kelly-senators-young-and-kelly-introduce-ships-america-act

[6] Shipping and World Trade: World Seaborde Trade, International Chamber of Shipping, Available at: https://www.ics-shipping.org/shipping-fact/shipping-and-world-trade-world-seaborne-trade/#:~:text=There%20are%20over%2050%2C000%20merchant,US%20Dollars%20in%20freight%20rates.

[7] US Department of Transportation, US-Flag-Fleet (2024), Available at: https://www.maritime.dot.gov/data-reports/us-flag-fleet-01-2024

[8] Ports of Long Beach and Los Angeles Set Records for Container Movement, The Maritime Executive (2020), Available at: https://maritime-executive.com/article/ports-of-long-beach-and-los-angeles-set-records-for-container-movement

[9] Largest American-Made Container Ship Christened, The Maritime Executive (2018), Available at: https://maritime-executive.com/article/largest-american-made-container-ship-christened

[10] Waltz, Mike, et al. "Congressional-Guidance-for-a-National-Maritime-Strategy. ..." *Congressional Guidance for a National Maritime Strategy*, Apr. 2024, https://www.kelly.senate.gov/wp-content/uploads/2024/05/Congressional-Guidance-for-a-National-Maritime-Strategy.pdf

Addressing China's Subsidization in the Shipbuilding Industry

In its investigation, USTR finds that China has targeted the maritime, logistics, and shipbuilding sectors for dominance, achieving its goal to overtake global market share. As measured by size and capacity, China builds more than half of the world's merchant ships, delivering around 150 of the world's largest containers ships in 2023.[11] South Korea produced 28 percent and Japan produced 15 percent of global container ships in 2023. The United States produced just 0.1% of container ships.

The OECD has conducted research examining the implications for global markets of the subsidies that state-owned enterprises receive. A recently created OECD Manufacturing Groups and Industrial Corporation database aggregates firm-level information to make it possible to uncover subsidies provided by less transparent jurisdictions and those that occur at various levels of government (including at the level of individual municipalities, states, or provinces).[12]A recent study using the database finds, for example, that below-market financing provided to state-owned enterprises is a prevalent form of subsidization in China, including in the shipbuilding industry.

The goal of Section 301 is "to obtain the elimination" of the act, policy, or practice cited in relevant investigation. As it is the administration's stated intention to engage allies and trading partners to counter China's unfair practices in the shipbuilding industry, the NAM supports the pursuit of international disciplines on subsidies to, and non-market practices of, China's state-owned enterprises to address ongoing and future subsidization. Such measures would more directly address Chinese subsidization, rather than increasing costs for manufacturers in the U.S.

Conclusion

USTR should seek to directly remedy the non-market practices and subsidization of Chinese state enterprises that undermine global competition in the shipbuilding industry. As the administration works to counter China, manufacturers also support efforts to invest in and rebuild America's domestic shipping and shipbuilding industry. As these important, whole-of-government efforts to enhance America's maritime power are implemented, the NAM encourages the administration to focus on revitalizing American shipbuilding—not burdening manufacturers in the U.S. through new port fees that will reduce the availability of the necessary cargo capacity at U.S. ports, increase pressure on domestic infrastructure, and raise costs that may render American exports less competitive around the world.

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[11] UNCTADstat Data centre, UN trade and development, Available at: UNCTADstat Data Centre

[12] OECD (2025), "How Governments Back the Largest Manufacturing Firms: Insights from the OECD MAGIC Database", *OECD Trade Policy Papers*, No. 289, OECD Publishing, Paris.

Thank you for the opportunity to comment on this critical matter.

Sincerely,